

Electronically Recorded**Tarrant County Texas**

Official Public Records

9/7/2010 11:03 AM

D210218173

AAPL - FORM 61083 - 1989

PGS 7 \$40.00

**MODEL FORM RECORDING SUPPLEMENT TO
OPERATING AGREEMENT AND FINANCING STATEMENT**

L0557445

TXIC Unit
W. Trammel Survey, A-1509
Tarrant County, Texas

**Electronically Recorded
Chesapeake Operating, Inc.**

THIS AGREEMENT, entered into by and between Chesapeake Exploration, L.L.C., hereinafter referred to as "Operator," and Total E&P USA, Inc., the signatory party or parties other than Operator, hereinafter referred to individually as "Non-Operator," and collectively as "Non-Operators."

WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land identified in Exhibit "A" (said land, Leases and Interests being hereinafter called the "Contract Area"), and in any instance in which the Leases or Interests of a party are not of record, the record owner and the party hereto that owns the interest or rights therein are reflected on Exhibit "A";

WHEREAS, the parties hereto have executed an Operating Agreement dated January 25, 2010 (herein the "Operating Agreement"), covering the Contract Area for the purpose of exploring and developing such lands, Leases and Interests for Oil and Gas; and

WHEREAS, the parties hereto have executed this agreement for the purpose of imparting notice to all persons of the rights and obligations of the parties under the Operating Agreement and for the further purpose of perfecting those rights capable of perfection.

NOW, THEREFORE, in consideration of the mutual rights and obligations of the parties hereto, it is agreed as follows:

1. This agreement supplements the Operating Agreement, which Agreement in its entirety is incorporated herein by reference, and all terms used herein shall have the meaning ascribed to them in the Operating Agreement.
2. The parties do hereby agree that:
 - A. The Oil and Gas Leases and/or Oil and Gas Interests of the parties comprising the Contract Area shall be subject to and burdened with the terms and provisions of this agreement and the Operating Agreement, and the parties do hereby commit such Leases and Interests to the performance thereof.
 - B. The exploration and development of the Contract Area for Oil and Gas shall be governed by the terms and provisions of the Operating Agreement, as supplemented by this agreement.
 - C. All costs and liabilities incurred in operations under this agreement and the Operating Agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties hereto, as provided in the Operating Agreement.
 - D. Regardless of the record title ownership to the Oil and Gas Leases and/or Oil and Gas Interests identified on Exhibit "A," all production of Oil and Gas from the Contract Area shall be owned by the parties as provided in the Operating Agreement; provided nothing contained in this agreement shall be deemed an assignment or cross-assignment of interests covered hereby.
 - E. Each party shall pay or deliver, or cause to be paid or delivered, all burdens on its share of the production from the Contract Area as provided in the Operating Agreement.
 - F. An overriding royalty, production payment, net profits interest or other burden payable out of production hereafter created, assignments of production given as security for the payment of money and those overriding royalties, production payments and other burdens payable out of production heretofore created and defined as Subsequently Created Interests in the Operating Agreement shall be (i) borne solely by the party whose interest is burdened therewith, (ii) subject to suspension if a party is required to assign or relinquish to another party an interest which is subject to such burden, and (iii) subject to the lien and security interest hereinafter provided if the party subject to such burden fails to pay its share of expenses chargeable hereunder and under the Operating Agreement, all upon the terms and provisions and in the times and manner provided by the Operating Agreement.
 - G. The Oil and Gas Leases and/or Oil and Gas Interests which are subject hereto may not be assigned or transferred except in accordance with those terms, provisions and restrictions in the Operating Agreement regulating such transfers.

This agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and their respective heirs, devisees, legal representatives, and assigns, and the terms hereof shall be deemed to run with the leases or interests included within the lease Contract Area.

- H. The parties shall have the right to acquire an interest in renewal, extension and replacement leases, leases proposed to be surrendered, wells proposed to be abandoned, and interests to be relinquished as a result of non-participation in subsequent operations, all in accordance with the terms and provisions of the Operating Agreement.
- I. The rights and obligations of the parties and the adjustment of interests among them in the event of a failure or loss of title, each party's right to propose operations, obligations with respect to participation in operations on the Contract Area and the consequences of a failure to participate in operations, the rights and obligations of the parties regarding the marketing of production, and the rights and remedies of the parties for failure to comply with financial obligations shall be as provided in the Operating Agreement.
- J. Each party's interest under this agreement and under the Operating Agreement shall be subject to relinquishment for its failure to participate in subsequent operations and each party's share of production and costs shall be reallocated on the basis of such relinquishment, all upon the terms and provisions provided in the Operating Agreement.
- K. All other matters with respect to exploration and development of the Contract Area and the ownership and transfer of the Oil and Gas Leases and/or Oil and Gas Interest therein shall be governed by the terms and provisions of the Operating Agreement.

3. The parties hereby grant reciprocal liens and security interests as follows:

- A. Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and Gas Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security interest in any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of its obligations under this agreement and the Operating Agreement including but not limited to payment of expense, interest and fees, the proper disbursement of all monies paid under this agreement and the Operating Agreement, the assignment or relinquishment of interest in Oil and Gas Leases as required under this agreement and the Operating Agreement, and the proper performance of operations under this agreement and the Operating Agreement. Such lien and security interest granted by each party hereto shall include such party's leasehold interests, working interests, operating rights, and royalty and overriding royalty interests in the Contract Area now owned or hereafter acquired and in lands pooled or unitized therewith or otherwise becoming subject to this agreement and the Operating Agreement, the Oil and Gas when extracted therefrom and equipment situated thereon or used or obtained for use in connection therewith (including, without limitation, all wells, tools, and tubular goods), and accounts (including, without limitation, accounts arising from the sale of production at the wellhead), contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of the foregoing.

AAPL - FORM 610RS - 1989

- B. Each party represents and warrants to the other parties hereto that the lien and security interest granted by such party to the other parties shall be a first and prior lien, and each party hereby agrees to maintain the priority of said lien and security interest against all persons acquiring an interest in Oil and Gas Leases and Interests covered by this agreement and the Operating Agreement by, through or under such party. All parties acquiring an interest in Oil and Gas Leases and Oil and Gas Interests covered by this agreement and the Operating Agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject to the lien and security interest granted by the Operating Agreement and this instrument as to all obligations attributable to such interest under this agreement and the Operating Agreement whether or not such obligations arise before or after such interest is acquired.
- C. To the extent that the parties have a security interest under the Uniform Commercial Code of the state in which the Contract Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by a party for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any party in the payment of its share of expenses, interest or fees, or upon the improper use of funds by the Operator, the other parties shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such defaulting party's share of Oil and Gas until the amount owed by such party, plus interest, has been received, and shall have the right to offset the amount owed against the proceeds from the sale of such defaulting party's share of Oil and Gas. All purchasers of production may rely on a notification of default from the non-defaulting party or parties stating the amount due as a result of the default, and all parties waive any recourse available against purchasers for releasing production proceeds as provided in this paragraph.
- D. If any party fails to pay its share of expenses within one hundred-twenty (120) days after rendition of a statement therefor by Operator the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in this paragraph 3 and in the Operating Agreement, and each paying party may independently pursue any remedy available under the Operating Agreement or otherwise.
- E. If any party does not perform all of its obligations under this agreement or the Operating Agreement, and the failure to perform subjects such party to foreclosure or execution proceedings pursuant to the provisions of this agreement or the Operating Agreement, to the extent allowed by governing law, the defaulting party waives any available right of redemption from and after the date of judgment, any required valuation or appraisement of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshalling of assets and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each party hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights granted hereunder or under the Operating Agreement, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice.
- F. The lien and security interest granted in this paragraph 3 supplements identical rights granted under the Operating Agreement.
- G. To the extent permitted by applicable law, Non-Operators agree that Operator may invoke or utilize the mechanics' or materialmen's lien law of the state in which the Contract Area is situated in order to secure the payment to Operator of any sum due under this agreement and the Operating Agreement for services performed or materials supplied by Operator.
- H. The above described security will be financed at the wellhead of the well or wells located on the Contract Area and this Recording Supplement may be filed in the land records in the County or Parish in which the Contract Area is located, and as a financing statement in all recording offices required under the Uniform Commercial Code or other applicable state statutes to perfect the above-described security interest, and any party hereto may file a continuation statement as necessary under the Uniform Commercial Code, or other state laws.
- 4. This agreement shall be effective as of the date of the Operating Agreement as above recited. Upon termination of this agreement and the Operating Agreement and the satisfaction of all obligations thereunder, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon the request of Operator, if Operator has complied with all of its financial obligations.
- 5. This agreement and the Operating Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors and assigns. No sale, encumbrance, transfer or other disposition shall be made by any party of any interest in the Leases or Interests subject hereto except as expressly permitted under the Operating Agreement and, if permitted, shall be made expressly subject to this agreement and the Operating Agreement and without prejudice to the rights of the other parties. If the transfer is permitted, the assignee of an ownership interest in any Oil and Gas Lease shall be deemed a party to this agreement and the Operating Agreement as to the interest assigned from and after the effective date of the transfer of ownership; provided, however, that the other parties shall not be required to recognize any such sale, encumbrance, transfer or other disposition for any purpose hereunder until thirty (30) days after they have received a copy of the instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. No assignment or other disposition of interest by a party shall relieve such party of obligations previously incurred by such party under this agreement or the Operating Agreement with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted under this agreement and the Operating Agreement in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B. of the Operating Agreement and hereby shall continue to burden the interest transferred to secure payment of any such obligations.
- 6. In the event of a conflict between the terms and provisions of this agreement and the terms and provisions of the Operating Agreement, then, as between the parties, the terms and provisions of the Operating Agreement shall control.
- 7. This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. In the event that any provision herein is illegal or unenforceable, the remaining provisions shall not be affected, and shall be enforced as if the illegal or unenforceable provision did not appear herein.
- 8. Other provisions.
None.

AAPL - FORM 610RS - 1989

Kristine Jackson, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610RS-1989 Model Form Recording Supplement to Operating Agreement and Financing Statement, as published in computerized form by Forms On-A-Disk, Inc. No changes, alterations, or modifications, other than those made by strikethrough and/or insertion and that are clearly recognizable as changes in Articles NONE, have been made to the form.

IN WITNESS WHEREOF, this agreement shall be effective as of the August 12, 2010.

OPERATOR

ATTEST OR WITNESS

Chesapeake Exploration, L.L.C.

By: Henry J. Hood

[Signature]

Title: Sr. Vice President – Land and Legal & General Counsel

Date:

Address: P.O. Box 18496, Oklahoma City, OK 73118

NON-OPERATORS

ATTEST OR WITNESS

Total E&P USA, Inc.

By: Eric Bonnin

Vice President, Business Development & Strategy

Title:

Date: 8/16/2010

Address: 1201 Louisiana, Houston, TX 77002

AAPL - FORM 610RS - 1989

ACKNOWLEDGMENTS

NOTE:

The following forms of acknowledgment are the short forms approved by the Uniform Law on Notarial Acts. The validity and effect of these forms in any state will depend upon the statutes of that state.

Acknowledgment in Representative Capacity

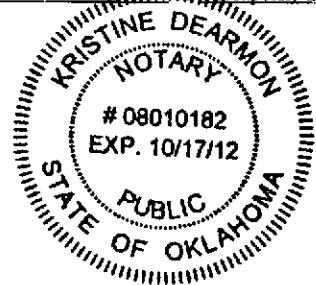
State of OKLAHOMA §

§ ss.

County of OKLAHOMA §

This instrument was acknowledged before me on _____, by Henry J. Hood as Sr. Vice
President - Land and Legal & General Counsel of Chesapeake Exploration, L.L.C.

(Seal, if any)




Name: Kristine Dearmon
My commission expires: 10-17-12

Acknowledgment in Representative Capacity

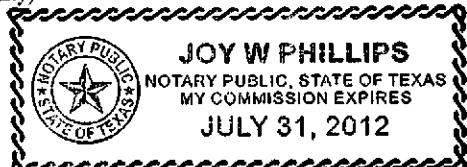
State of TEXAS §

§ ss.

County of HARRIS §

~~This instrument was acknowledged before me on~~ August 16, 2010 by Erie Bonin as
~~Vice President, Business Development + of~~ Total E&P USA, Inc.
Strategy

(Seal, if any)



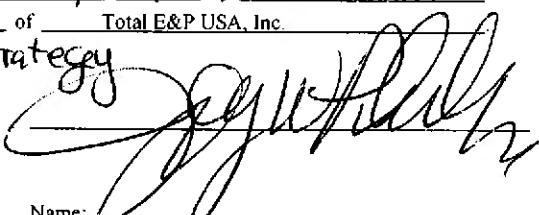

Name: _____
My commission expires: _____

EXHIBIT "A"

TO THAT CERTAIN MEMORANDUM OF JOINT OPERATING AGREEMENT DATED AUGUST 12, 2010, BY AND BETWEEN CHESAPEAKE EXPLORATION L.L.C., AS OPERATOR, AND TOTAL E&P USA, INC., AS NON-OPERATOR

1. Contract Area: The Contract Area is the Unit shown on Exhibit "A-1" attached hereto.
The Leases subject to this Operating Agreement are listed on Exhibit "A-2" attached hereto.

2. Restrictions as to depths and formations: None.

3. Interests of Parties:

<u>Owner</u>	<u>Working Interest</u>
Chesapeake Exploration, L.L.C. P. O. Box 18496 Oklahoma City, Oklahoma 73154-0496 Attention: Henry J. Hood	73.125%
Total E&P USA, Inc. 1201 Louisiana, Suite 1800 Houston, TX 77002 Attention: Eric Bonnin	24.375%
TOTAL	97.500%

EXHIBIT "A-1"

TO THAT CERTAIN MEMORANDUM OF JOINT OPERATING AGREEMENT DATED AUGUST 12, 2010, BY AND BETWEEN CHESAPEAKE EXPLORATION, L.L.C., AS OPERATOR, AND TOTAL E&P USA, INC., AS NON-OPERATOR

The below metes and bounds description of the Contract Area shall be subject to revision to conform with the Declaration of Pooled Unit and any amendment thereto.

TXI C UNIT

Being 173.637 acres of land located in the John Hust Survey, Abstract No. 702, the J.B. Johnson Survey, Abstract No. 855 and the Wm. C. Trammell Survey, Abstract No. 1509, Tarrant County, Texas, being the Oil, Gas and Mineral Lease to Four Sevens Oil Company Ltd. and to Energy Transfer Group, LLC from Work Investments, LLC, recorded in CC#D204180846, from TXI Operations, LP, recorded in Volume 15202, Page 401 and from Ernest F. Haralson Jr., signed 2 October 2008, recorded in CC# D208436479. Said 173.637 acres of land being more particularly described as follows:

BEGINNING at a 1/2" iron rod stamped "Brittain & Crawford" found at an exterior angle point of said TXI tract;

THENCE along the west lines of said TXI tract as follows:

1. N00°39'34"W, at 43.04 feet passing an 1/2" iron rod found, in all a distance of 1,745.33 feet to a cotton spike found;
2. N49°54'32"W, a distance of 350.07 feet to a 1/2" iron rod stamped "Moak" found;
3. N00°58'37"W, a distance of 904.81 feet to a 1/2" iron rod stamped "Brittain & Crawford" found;
4. N00°32'51"E, a distance of 95.23 feet to a point;
5. N00°49'57"W, a distance of 24.91 feet to an 1/2" iron rod found;

THENCE S35°54'10"E, a distance of 5,130.02 feet to a point lying in the south line of said TXI tract;

THENCE along said south line as follows:

1. S89°45'39"W, at 215.28 feet passing an 1/2" iron rod stamped "Brittain & Crawford" found, at 265.30 feet passing an 1/2" iron rod stamped "Brittain & Crawford" found, in all a distance of 891.00 feet to a point;
2. S00°14'21"E, a distance of 1,561.91 feet to a point;
3. N82°44'21"W, a distance of 425.58 feet to a point;
4. S05°00'39"W, a distance of 488.89 feet to a point;
5. S53°45'39"W, a distance of 203.47 feet to a point;

THENCE along said west line as follows:

1. N38°14'21"W, a distance of 993.75 feet to a point;
2. N25°07'59"W, a distance of 997.37 feet to a cotton spike found;
3. N08°39'48"E, a distance of 441.06 feet to a point;
4. N03°09'14"E, a distance of 493.87 feet to a monument found, said monument lying in the south line of said Work tract;

THENCE S89°19'20"W, along said Work south line, a distance of 16.00 feet to a point lying in the west line of said Work tract;

THENCE N00°19'36"W, along said Work west line, a distance of 670.83 feet to a point;

THENCE S88°56'21"W, a distance of 227.22 feet to the point of beginning, containing 173.637 acres of land.

The bearings recited hereon are oriented to NAD27 Texas North Central Zone.

End of Exhibit "A-1"

EXHIBIT "A-2"

TO THAT CERTAIN MEMORANDUM OF JOINT OPERATING AGREEMENT DATED AUGUST 12, 2010, BY AND BETWEEN CHESAPEAKE EXPLORATION, L.L.C., AS OPERATOR, AND TOTAL E&P USA, INC., AS NON-OPERATOR

The following leases are included in the Contract Area insofar and only insofar as each oil and gas lease covers land within the Unit described on Exhibit A-1.

Lease Number	Lessor	Lessee	Lease Date	Entry
TX0135297-000	ERNEST FRENCH HARALSON JR. & EVELYN P. HOOK	DALE PROPERTY SERVICES, LLC	10/2/2008	D208436479
TX2206533-000	TXI OPERATIONS, LP	ENERGY TRANSFER GROUP, LLC	10/5/2001	D201256521
TX2200052-000	WORK INVESTMENTS, LLC	FOUR SEVENS OIL CO, LTD	11/28/2003	D204180846
TX0136045-000	STATE OF TEXAS	DALE PROPERTY SERVICES, LLC	10/7/2008	D208411337

END OF EXHIBIT "A-2"

Record & Return To:
Chesapeake Operating, Inc.
P.O. Box 18496
Oklahoma City, OK 73154